

27 October 1947

OGC Has Reviewed **CONFIDENTIAL**

MEMORANDUM FOR THE ADSO

Subject: Retirement Deductions of Unvouchered Funds Employees

1. Enclosed is a memorandum to the ADSO from the Chief, Special Funds Division, dated 15 October 1947, concerning the above subject. Listed in [redacted] memorandum are proposals regarding the procedure in handling retirement deductions by the Special Funds Division. It is deemed necessary to secure your approval of such procedures in view of the questions of policy involved.

2. In connection with (a) of paragraph 2 of the attached memorandum, it is pointed out that the Civil Service Commission is not authorized to accept repayment of deductions which were refunded to an employee upon termination of his previous employment with the Government unless the employee is presently occupying a position within the purview of the Civil Service Retirement Act. Therefore, it would be necessary for the employee to reveal his employment to make such payments. It is apparent that security factors prevent such disclosure. However, no rights of the employee would be prejudiced by the adoption of such a policy. There would be the question of interest, inasmuch as the employee is required to pay the necessary amount with interest at 4% compounded annually. Since the employee has the opportunity of placing such money in United States Savings Bonds with interest at 3.9%, the employee may be in the position of paying a few extra dollars for interest by virtue of not being permitted to make repayment during the time he is on Unvouchered Funds.

3. In (b) of paragraph 2, it is suggested that employees be given a maximum of sixty days in which to repay to Special Funds an amount equal to the retirement not withheld during his employment with OGC. The Treasury will accept lump sums from CIA at this time, including such repayments, without question. However, at a later date, large sums being deposited might be questioned by Treasury, and the question of interest would enter the picture. In addition, it appears administratively desirable to have the question of repayment for present service settled within a stipulated time.

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4. Special Funds presently is holding a small amount of money representing retirement deductions withheld from the pay of employees of SSU who are employed at the present time by CIA on Unvouchered Funds. It is proposed that this money be returned to the employees, and, consequently, such employees would be in the position of employees considered in paragraph 2 above. There appears to be no method by which such amounts could be deposited with the Treasury through the Civil Service Commission at this time in a manner which would be secure. From an administrative viewpoint, it is highly desirable to remove these items from Special Funds' books, since they relate to activities of SSU.

5. In general, it may be said that the suggested procedure, while not entirely in accordance with normal Government practice, does not prejudice the rights of employees. It appears that the security factors involved warrant deviation from standard practice, and, consequently, this office has no legal objection to your approval of such procedure. Efforts were made to handle the question of retirement deductions in other ways, and it was the consensus that the above procedure was the most practical solution.

Assistant General Counsel

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